

Message Text

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ORIGIN TRSE-00

INFO OCT-01 EUR-12 ISO-00 SSO-00 INRE-00 USIE-00
AID-05 CEA-01 CIAE-00 COME-00 EB-07 EA-07 FRB-03
INR-07 IO-13 NEA-10 NSAE-00 OPIC-03 SP-02 LAB-04
EPG-02 SIL-01 AGRE-00 OMB-01 XMB-02 L-03 SS-15
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DRAFTED BY TREASURY/OASIA/HBJUNZ
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TO USMISSION OECD PARIS IMMEDIATE

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E.O. 11652: GDS

TAGS: OECD, CIEC, EFIN

SUBJECT: CIEC: FINANCIAL AFFAIRS COMMISSION CONTACT GROUP
ON MEASURES AGAINST INFLATION

REF: OECD PARIS 13075

1. OUR RESPONSE TO REF CABLE IS AS FOLLOWS:

2. ON REVISED PARA 5: WE DO NOT THINK THAT IT MAKES SENSE
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TO SINGLE OUT "SUCCESSFUL ECONOMIC DEVELOPMENT", AS
ORIGINAL DRAFT WAS MUCH BROADER. BUT WE WILL NOT DIE OVER
REFORMULATION IN DEFENSE OF LOGIC.

3. REDRAFT OF DEMAND MANAGEMENT PARAGRAPH NOT ACCEPTABLE.
IT IS CLEAR THAT NON-INFLATIONARY BEHAVIOR ON THE PART OF
THE KEY INDUSTRIALIZED COUNTRIES IS ONLY A NECESSARY, BUT
NOT A SUFFICIENT CONDITION. TRY AND DELETE "..EACH TO

THE MAXIMUM EXTENT POSSIBLE" AND SUBSTITUTE "ALIKE" IN FIRST SENTENCE; DELETE "INDUSTRIALIZED" IN SECOND SENTENCE; DELETE "SO FAR AS POSSIBLE" IN LAST SENTENCE. AS FALBACK SUBSTITUTE "TO MAXIMUM EXTENT POSSIBLE" FOR "SO FAR AS POSSIBLE".

4. IN ADDITION, SUBSTITUTING "INCOME POLICIES" FOR "SELECTIVE POLICIES" DOES NOT MAKE MUCH SENSE. INCOME POLICIES ARE ONLY ONE OF VARIOUS POSSIBLE AUXILIARY INSTRUMENTS. YOU MIGHT ARGUE FOR "INCOME POLICIES AND OTHER POLICIES".

5. ON THE LIQUIDITY ISSUE WE STILL QUESTION STRONGLY THE TACTICS OF OPENING THIS SUBJECT IN A G-8 DRAFT. IF NECESSARY YOU MIGHT CONTEMPLATE A FINAL SENTENCE AS FOLLOWS; 'FIRM PURSUIT OF THE MEASURES DETAILED ABOVE WILL PREVENT RESURGENCE OF EXCESS DEMAND AND CREATION OF EXCESS LIQUIDITY SUCH AS WOULD LEAD TO RENEWED INFLATIONARY PRESSURES AND WOULD PREVENT THE SUCCESSFUL RETURN TO STABLE ECONOMIC GROWTH'. THE POINT IS THAT INTERNATIONAL LIQUIDITY IS CREATED IN MANY WAYS AND NOT JUST BY RESERVE CENTERS. VANCE

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Message Attributes

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